



COMMERCIAL REHABILITATION LOAN PROGRAM FOR DOWNTOWN SMALL BUSINESSES CRITERIA

I. PROGRAM SUMMARY

The Morgan Hill Redevelopment Agency has established the Commercial Rehabilitation Loan program to offer assistance to small businesses in the form of a low interest loan participatory loan within the Morgan Hill's downtown – specifically within the PBID boundary area. The program is designed to assist property owners and tenants with funding to rehabilitate existing commercial buildings thereby enabling new businesses to locate or expand downtown and increase the vitality of the downtown area shopping district. Additional goals of the program are to eliminate blight, provide desired services and amenities to the community, and fill financing gap for small businesses.

II. APPLICANT QUALIFICATIONS

At a minimum, a successful applicant must provide evidence of the following:

- Must own or lease an existing building within the downtown PBID boundary area (which is within the boundaries of the Ojo de Agua Redevelopment Project Area).
- Must be a “small business” meaning a business with a total of fewer than 50 employees and total annual gross revenues of less than \$5,000,000.
- Must provide evidence of acceptable credit standing/history
- Must demonstrate a “Business Track Record” – evidence of:
 - (a) being in continuous operation for a minimum of five (5) years in town or another community or
 - (b) a history of commercial success and a viable Business Plan – less than 2 years old
- Business Plan must indicate that the following criteria will be met:
 - (a) Estimated sales tax generation or other revenue to the city over the life of the loan must equal at least fifty percent of the requested loan amount.
 - (b) Full time jobs created/retained by business over life of the loan equals or exceeds one (1) job per \$10,000 of the requested loan amount.
- Business must have obtained a written (conditional) commitment for partial financing for the proposed project from a lending institution or demonstrated significant equity into the project.

- Demonstrated inability to obtain needed financing from another source such as a denial for financing letter from a lender (“Gap” financing or “but for analysis”).

III. REDEVELOPMENT PROGRAM OBJECTIVES

The Loan Committee shall determine that the Applicant’s proposed project satisfies the goals of the Redevelopment Implementation Plan which include but are not limited to, the following types of criteria:

- Eliminates blight and/or stimulates private investment in the downtown area
- Is deemed a catalyst project
- Retains an existing viable business
- Allows an existing business to expand
- Benefits historic or cultural resources
- Provides desired service/amenity to the Community
- Attracts a desired business to the downtown
- Meets goals of the adopted Downtown Plan as may be amended from time to time

As an additional incentive to encourage revitalization of the Downtown area, if an approved borrower, who is also a property owner, enters into an Owner Participation Agreement with the Agency for more extensive rehabilitation of the property while this loan has at least 12 months of payments still outstanding, the Agency will extend the loan term for an additional ten years at zero percent interest and payments fully deferred.

IV. LOAN TERMS

Customary loan documents, including promissory notes and collateral security documents, will be required to be negotiated and executed. Terms will include:

- Repayment in up to seven years
- Interest rates at LAIF + ½ percent.
- Accelerated loan repayment within 180 days of business closure
- Periodic payments of principal and interest with possible initial payment deferred up to 12 months from initial advance
- Amortization of principal and interest over 15 year period
- Must be adequately secured, with real or personal property, personal guarantees, etc.
- Agency financial assistance will require that prevailing wages apply to the work performed under this loan

- Use of loan proceeds are restricted to items such as general tenant improvements/rehabilitation, expansion, or modernization of facilities, certain soft costs such as engineering and architectural services related to construction of eligible items, repair of code violations/deficiencies, ADA improvements, facade improvements, and required off-site improvements.
- Other terms as reasonably imposed by the Loan Committee

V. LOAN APPLICATION PROCESS

Agency staff shall prepare loan application forms which must be completed and submitted by applicants. Agency staff shall initially review the application for completeness. When a completed application is compiled, Agency staff shall submit the application to the Loan Committee. The Loan Committee shall make a recommendation to the Executive Director. The Executive Director is authorized to negotiate, execute and record loan documents consistent with these criteria subject to the total amount of funding appropriated by the Agency Board for this loan program.